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Economics — Class 10

Chapter(s): Globalisation and the Indian Economy

Maximum Marks: 39

Time Allowed: 1 Hour 10 Minutes

Section A — MCQ & Assertion-Reason (1 mark each)

Q1. An MNC wants to lower total production cost while still selling mainly in Europe and the USA. Which production arrangement best matches the logic of global production described in the chapter? [1 mark]

- A) Design in the USA, manufacture components in China, assemble in Mexico/Eastern Europe, customer care in India, and sell globally
- B) Design, manufacture, assemble, and customer care all in the USA to avoid coordination costs
- C) Design in India, manufacture in Europe, assemble in the USA, and customer care in China to maximise tariffs
- D) Design and customer care in Mexico, manufacture in the USA, and assemble in Europe to maximise labour cost

Q2. Data (India, toy retail survey):

Year 1: Imported toys share = 20%, Average toy price index = 100, Local toy units operating = 1000

Year 2: Imported toys share = 75%, Average toy price index = 82, Local toy units operating = 640

Which inference best fits the idea of "integration of markets" through foreign trade? [1 mark]

- A) Imports can raise consumer choice and push prices down, while domestic producers may lose market share
- B) Imports always increase domestic producers' sales because demand becomes more certain
- C) Integration of markets means prices must rise due to transport costs, so the price index must increase
- D) Integration of markets happens only when people migrate; trade does not connect markets

Q3. A state government announces: (i) a Special Economic Zone (SEZ) with 5-year tax holiday, (ii) relaxed enforcement of some labour protections, and (iii) single-window

clearance. The most direct intended objective of this package is to: [1 mark]

- A) increase foreign investment by reducing cost and policy constraints for firms
- B) reduce imports by making foreign goods costlier through higher tariffs
- C) end global competition by banning MNCs from producing in India
- D) increase agricultural subsidies in developed countries through WTO rules

Q4. An Indian TV firm earlier purchased capacitors from a local small unit. After import restrictions were removed, it began importing capacitors at half the local price and shifted to assembling for an MNC brand. Which chain of effects is most consistent with the chapter's argument? [1 mark]

- A) Liberalisation → cheaper imports → pressure on small producers → production cuts/closures and job losses
- B) Liberalisation → imports stop → small producers expand automatically without upgrading
- C) Trade barriers rise → imports flood the market → small producers lose share
- D) WTO rules force developed countries to remove farm subsidies → Indian capacitor unit expands

Q5. A European sportswear MNC does not set up a factory in India but gives large orders to many small producers and strictly controls price, quality, delivery time, and even labour conditions. This arrangement is best described as: [1 mark]

- A) subcontracting/placing orders with small producers as a way to control production
- B) trade barrier imposed by the Indian government to restrict exports
- C) migration-led globalisation because workers move across countries to produce goods
- D) complete domestic production because output is produced and sold within one country

Q6. Assertion (A): Globalisation leads to greater integration of production across countries.

Reason (R): MNCs split production into stages and locate each stage where costs are lower or skills/markets are favourable, linking producers in different countries. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q7. Assertion (A): Removing trade barriers is called liberalisation.

Reason (R): Under liberalisation, businesses face fewer government restrictions and can decide more freely what to import or export. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q8. Assertion (A): Foreign trade can cause prices of similar goods in different countries to move closer to each other.

Reason (R): When goods can move between markets, buyers and sellers compare alternatives, increasing competition across countries. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q9. Assertion (A): In practice, WTO-related trade rules may create an uneven playing field for developing countries.

Reason (R): Developed countries have sometimes continued large subsidies to their farmers while developing countries are pressured to reduce support and barriers. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q10. Assertion (A): Greater choice and lower prices due to globalisation benefit all producers in India equally.

Reason (R): Global competition forces every producer to upgrade technology, so even small producers always expand output and employment. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Section B — Very Short Answer (2 marks each)

Q11. Answer in exactly TWO sentences: Explain how an import tax on toys works as a trade barrier and state ONE likely effect on (i) toy prices in India and (ii) Indian toy makers. [2 marks]

Q12. Answer in exactly TWO sentences: A large MNC buys a well-known Indian edible oil company that already has refineries and a marketing network. Identify this route of foreign investment and give one reason why MNCs prefer it over starting a new firm

from scratch. [2 marks]

Q13. Answer in exactly TWO sentences: In one export garment unit, workers are hired only for peak seasons and made to work very long hours with low wages. Name the employment practice being used and state ONE way it affects workers' job security. [2 marks]

Section C — Short Answer (3 marks each)
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Q14. Answer in EXACTLY 3 numbered points (about 60-80 words total): A small electronics component unit faces closure after liberalisation allowed cheaper imports. Suggest three government measures to make globalisation fairer for such small producers, and for each measure state (i) the concept/definition, (ii) how it works, and (iii) one example linked to the chapter. [3 marks]

Q15. Answer in EXACTLY 3 numbered points (about 60-80 words total): Explain how ICT (telecom, computers, Internet) enables globalisation of SERVICES, not just goods. Each point must include a heading, one mechanism line, and one example from the chapter. [3 marks]

Q16. Answer in EXACTLY 3 numbered points (about 60-80 words total): Do you agree that globalisation benefits workers in the organised sector automatically? Take a position and justify using the garment worker example and the idea of flexible employment. [3 marks]

Section D — Long Answer (5 marks each)

Q17. Analyse how multinational corporations (MNCs) integrate production across countries and evaluate two major consequences of this integration for (a) small producers and (b) workers in India. Answer in exactly: 1 introductory sentence + 5 numbered points with ALL-CAPS headings (2 sentences each) + 1 concluding sentence. [5 marks]

Q18. The government is considering two policy moves at the same time: (1) creating more Special Economic Zones (SEZs) with tax holidays, and (2) relaxing labour laws further to attract foreign investment. As an economist, evaluate this strategy and recommend how the government can ensure a 'fair globalisation' while still encouraging investment. Answer in exactly: 1 introductory sentence + 5 numbered points with ALL-CAPS headings (2 sentences each) + 1 concluding sentence. [5 marks]

Section E — Case Study (4 marks each)
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Q19. Read the following passage and answer the questions that follow: [4 marks]

A mid-sized Indian electronics cluster supplies components (adapters, small capacitors, plastic parts) to larger brands. In 2019, the government reduced import duties on several electronic components to make final products cheaper and to help exporters access parts at world prices. Within a year, imported components from East Asia began arriving at lower prices and in larger variety. Local firms noticed that the retail price of a commonly used adapter fell from ₹150 to ₹105. At the same time, a few export-oriented assembly units started operating in a nearby SEZ, enjoying a five-year tax holiday and better logistics.

Some local component units tried to become suppliers to these assembly units. The SEZ buyers demanded strict quality checks, fixed delivery schedules, and a price that was 30% below the local units' earlier selling price. A few firms upgraded machines and trained workers, but many could not afford the investment. Several factories shifted from permanent jobs to short-term contracts during peak season, arguing that competition had increased and orders fluctuated. Worker unions demanded that basic benefits should not be removed even if the contract period is short.

- (i) Identify the process reflected when goods/components and production linkages across countries increase due to trade and foreign investment. (1 mark)
- (ii) Calculate the percentage fall in the retail price of the adapter from ₹150 to ₹105. Show steps. (1 mark)
- (iii) Using the passage, explain two reasons why employment becomes 'uncertain' for workers under increased competition, and suggest one government measure for fair globalisation. (2 marks)

Economics — Class 10
Chapter(s): Globalisation and the Indian Economy

Section A — MCQ & Assertion-Reason (1 mark each)

A1.

Answer:

Correct option: (A)

Design in the USA, manufacture components in China, assemble in Mexico/Eastern Europe, customer care in India, and sell globally

Explanation:

MNCs split stages across countries to use each location's advantage: low-cost manufacturing (China), proximity to markets (Mexico/Eastern Europe), and skilled/English-speaking services (India). This is exactly the integrated production network described for lowering costs while serving global markets. Hence, option (A) is correct.

A2.

Answer:

Correct option: (A)

Imports can raise consumer choice and push prices down, while domestic producers may lose market share

Explanation:

A higher import share with a lower price index indicates stronger competition from imported goods, a key outcome of market integration via trade. The fall in local units operating is consistent with domestic producers facing losses under competition. Hence, option (A) is correct.

A3.

Answer:

Correct option: (A)

increase foreign investment by reducing cost and policy constraints for firms

Explanation:

SEZ tax holidays and easier compliance reduce firms' costs and uncertainty, which is

meant to attract foreign companies to invest and set up production units. This matches the chapter's steps taken to attract foreign investment. Hence, option (A) is correct.

A4.

Answer:

Correct option: (A)

Liberalisation → cheaper imports → pressure on small producers → production cuts/closures and job losses

Explanation:

Removing import restrictions increases competition from cheaper imports, which can reduce demand for local components and shrink small units' output and employment. This mirrors the capacitor example where imports at half price led to reduced production and fewer workers. Hence, option (A) is correct.

A5.

Answer:

Correct option: (A)

subcontracting/placing orders with small producers as a way to control production

Explanation:

The chapter explains that large MNCs often control production by placing orders with small producers, while dictating key conditions like quality, price, and delivery. This creates indirect control without owning factories. Hence, option (A) is correct.

A6.

Answer:

Correct option: (A)

Both A and R are true and R is the correct explanation of A.

Explanation:

Integration of production occurs because different stages are distributed across countries and coordinated by MNCs. The reason states the exact mechanism-fragmentation and location advantages-that produces integration. Hence, option (A) is correct.

A7.

Answer:

Correct option: (A)

Both A and R are true and R is the correct explanation of A.

Explanation:

Liberalisation is defined as removing restrictions/barriers imposed by the government. The reason correctly explains the operational meaning: firms can make trade decisions with fewer controls. Hence, option (A) is correct.

A8.

Answer:

Correct option: (A)

Both A and R are true and R is the correct explanation of A.

Explanation:

Trade links markets, so producers in different countries compete for the same buyers, which tends to equalise prices of similar goods. The reason correctly gives the competitive mechanism behind the price convergence. Hence, option (A) is correct.

A9.

Answer:

Correct option: (A)

Both A and R are true and R is the correct explanation of A.

Explanation:

Subsidies in developed countries can allow exports at abnormally low prices, harming farmers in developing countries that have reduced protection. The reason directly explains why "free trade" can be unfair in practice. Hence, option (A) is correct.

A10.

Answer:

Correct option: (D)

A is false but R is true.

Explanation:

The assertion is false because the chapter shows uneven impact: many small producers/workers can lose due to intense competition. The reason is true in principle that competition can push upgrading, but it does not guarantee expansion for all, especially when small units cannot survive price pressure. Hence, option (D) is correct.

Section B — Very Short Answer (2 marks each)

A11.

Answer:

An import tax is a trade barrier because it raises the price of imported toys by adding tax to their cost (Price after tax = Import price + tax, so the imported toy becomes costlier in ₹).

As imported toys become less competitive, average toy prices tend to rise and Indian toy makers may gain sales due to reduced import competition.

A12.

Answer:

This is foreign investment through acquisition (buying up a local company), because the MNC gains ownership/control over existing assets like refineries (capacity measured in units such as pouches/day). MNCs prefer it because they instantly obtain an established brand and distribution network, reducing time and cost compared to building new capacity.

A13.

Answer:

The practice is flexible/temporary employment, where workers are hired for short periods instead of on regular permanent contracts (wages paid in ₹ per day/week without long-term benefits). It reduces job security because workers can be removed when orders fall, and a day off often means no wage or employment continuity.

Section C — Short Answer (3 marks each)
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A14.

Answer:

1. **TRADE BARRIER:** A trade barrier is a restriction like an import tax; it raises imported component prices (₹) so local firms can compete. Example: taxing imported toys reduced their price advantage.
2. **SUPPORT/UPGRADATION:** Government support means targeted help (credit/technology/skills) to improve productivity and quality. Example: helping small units become strong enough to face MNC competition.
3. **WTO NEGOTIATION:** Negotiation means pushing for fairer rules internationally. Example: aligning with developing countries to challenge unfair farm subsidies by developed nations.

A15.

Answer:

1. **INSTANT DATA TRANSFER:** Internet sends text/files quickly across borders, so service work can be done remotely. Example: London magazine text sent to Delhi for designing.
2. **REAL-TIME COORDINATION:** Telecom/mobile/fax enable continuous instructions and feedback across countries. Example: Delhi designers receive design orders from London.
3. **DIGITAL PAYMENTS:** E-banking transfers money instantly, completing cross-border service transactions. Example: payment from a London bank to a Delhi bank done online

in ₹/£ terms.

A16.

Answer:

1. POSITION (DISAGREE): Globalisation does not automatically benefit organised-sector workers; outcomes depend on bargaining power and contracts. Example: Sushila shifted from permanent to temporary work.
2. MECHANISM: Exporters cut labour costs under MNC price pressure by hiring flexibly and extending hours. Example: temporary hiring avoids benefits like provident fund/health insurance.
3. OUTCOME: Job security and real earnings can fall despite more exports. Example: wages became less than half and a day off meant no wage (₹).

Section D — Long Answer (5 marks each)

A17.

Answer:

Globalisation links countries by organising production and markets across borders, and MNCs are the main drivers of this integration.

- 1) MEANING OF INTEGRATED PRODUCTION: An MNC is a firm that owns/controls production in more than one nation, so a single product's stages can be split across countries. This lowers total cost by using different countries' advantages (cheap labour, skills, proximity to markets), e.g., components in China, assembly in Mexico/Eastern Europe, customer care in India.
- 2) PATHWAYS USED BY MNCs: MNCs integrate production by setting up factories, forming joint ventures with local firms, buying local companies, and outsourcing orders to small producers. For example, buying an established Indian firm gives the MNC control over brands, refineries/units and distribution networks quickly.
- 3) CONSEQUENCE FOR SMALL PRODUCERS (RISING COMPETITION): When trade barriers are reduced, imports and MNC-branded goods compete directly with local goods, often at lower prices. Small units may be forced to cut costs, reduce output, or even close, as seen in components/toys/footwear-type industries where imported items can be cheaper.
- 4) CONSEQUENCE FOR SMALL PRODUCERS (LINKAGES AND UPGRADING): Some small/local firms benefit if they become suppliers to MNCs because they get assured orders and may learn quality/technology standards. However, the MNC typically controls price, quality and delivery, so the local firm's bargaining power remains weak and profits may be squeezed.

5) CONSEQUENCE FOR WORKERS (FLEXIBLE AND UNCERTAIN JOBS): Under competitive pressure, firms hire workers 'flexibly' on temporary contracts to reduce labour costs and avoid benefits like provident fund or paid leave. In garment exports, long hours, night shifts during peak season and low wages show that workers often do not receive a fair share of gains.

Therefore, MNC-led integration can raise efficiency and market reach, but without worker protection and support to small producers it can widen insecurity and unequal sharing of benefits.

A18.

Answer:

Attracting foreign investment can accelerate growth, but policy design must ensure that benefits are widely shared and workers and small producers are protected.

1) POLICY LOGIC (FDI AND SEZS): Foreign investment is money spent by MNCs on assets like land, buildings and machines in another country to earn profits. SEZs and tax holidays lower the cost of investing, so MNCs may locate units where infrastructure and policy support are stronger.

2) LIKELY GAINS (JOBS, TECHNOLOGY, MARKET ACCESS): FDI can create new jobs in sectors with strong demand and can bring technology/management practices through collaboration or joint production. Local suppliers may also gain orders, and exports can expand when firms become part of global value chains.

3) KEY RISK (WEAKENED WORKER PROTECTION): Further relaxation of labour laws can increase temporary hiring and reduce access to benefits such as health insurance, provident fund and paid leave. Competitive pressure can translate into long working hours and low wages, so the workers' share of gains may fall even when profits and exports rise.

4) KEY RISK (SMALL PRODUCERS COMPETE OR PERISH): Liberalised trade and MNC dominance can push down prices, making survival hard for small and medium units that lack finance and technology. If imports or MNC supply chains replace local production, closures and job losses can rise in labour-intensive small industries.

5) MAKING GLOBALISATION FAIR (RECOMMENDATIONS): The government should enforce core labour standards, ensure contracts are not used to deny legal rights, and strengthen inspection and grievance systems. It should also support small producers with credit, technology upgradation, quality certification and, if needed, calibrated trade/investment barriers and WTO negotiations for fairer rules (including alignment with other developing countries).

Hence, SEZs and FDI incentives should be paired with strong labour protection and targeted support for small producers so that globalisation becomes both competitive and

fair.

Section E — Case Study (4 marks each)
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A19.

(i) Identify the process reflected when goods/components and production linkages across countries increase due to trade and foreign investment.

Answer:

This reflects globalisation, i.e., rapid integration/interconnection of countries through foreign trade and foreign investment by MNCs and global production networks.

(ii) Calculate the percentage fall in the retail price of the adapter from ₹150 to ₹105.

Show steps.

Answer:

Percentage fall = $(\text{Fall} \div \text{Original}) \times 100 = (\text{₹}(150-105) \div \text{₹}150) \times 100 = (\text{₹}45 \div \text{₹}150) \times 100 = 30\%$.

(iii) Using the passage, explain two reasons why employment becomes 'uncertain' for workers under increased competition, and suggest one government measure for fair globalisation.

Answer:

Reason 1: Firms shift from permanent to short-term contracts to cut labour costs when prices are forced down (e.g., SEZ buyers demanding 30% lower prices), so job security reduces.

Reason 2: Orders fluctuate with import competition and changing demand, so firms hire only in peak season and avoid paying year-round wages/benefits.

One measure: The government should properly implement labour laws to ensure basic worker rights/benefits are not denied through repeated temporary contracts, making globalisation fairer.